

Child and Dependent Care Expenses Credit: Frequently Asked Questions



New for tax year 2000, California provides a refundable credit for child and dependent care expenses. The new credit is a percentage of the nonrefundable federal credit IRS allows you for the cost of your employment-related child and dependent care expenses. The maximum California credit is \$907. This brochure has answers to some questions commonly asked by California's taxpayers.

How does this credit affect me?

If you qualify for the federal child and dependent care expenses credit and your California adjusted gross income is not over \$100,000, you can claim a percentage of the federal credit on your California income tax form. After determining your California adjusted gross income (line 14 on Form 540A, line 17 on Form 540, or line 20 on Form 540NR), find the percentage you can claim on the chart below.

California Adjusted Gross Income	Percentage of Federal Credit
Up to \$40,000	63%
Over \$40,000 but not over \$70,000	53%
Over \$70,000 but not over \$100,000	42%
Over \$100,000	0%

How do I apply for the credit?

Easy. When preparing your California income tax return, just follow the step-by-step instructions provided with your federal and California tax forms. You can claim the credit on California Forms 540, 540A, and 540NR; however, you cannot claim the credit on Form 540 2EZ.

What information do I need to include with my claim for the credit?

- You must complete and attach to your California return the federal *Child and Dependent Care Expenses* Form 2441. (Use federal Schedule 2 if you filed Form 1040A.)
- You must provide the social security number of each qualifying person.
- You must provide the name, address, and taxpayer identification number (social security number or federal employer identification number) of the care provider.

What if I did not file a federal return or claim the federal credit?

You can still claim the credit for California. You must complete federal Form 2441 (or federal Schedule 2 for Form 1040A) to determine how much your federal credit would have been. Then follow the instructions provided with your California return to claim the credit.

I have a flexible spending account under a qualified cafeteria plan. Can I claim this credit also?

Yes, but the amount that you exclude under a flexible spending plan reduces the maximum amount of expenses you can use to figure the credit. Be sure you complete Part III of the federal Form 2441 (or federal Schedule 2 if you filed form 1040A).

I am self-employed and can claim the employer child-care contribution credit. Can I also claim the child and dependent care credit?

Yes. You can claim the employer child-care contribution credit for payments made directly by the employer (you, in this case) under a qualified care plan to care providers. You can then apply qualified expenses above those covered under the care plan toward the child and dependent care credit. The key here is that you can't use the same payment for both credits. Since you are self-employed, you must determine what amounts you pay as an employer and as an employee. Then determine the applicable credits for each and claim the credits accordingly. Please note the differing age criteria – under 13 for the child and dependent care credit, and under 12 for the employer child-care contribution credit.

For more information on this issue, see FTB Notice 94-9 and Revenue and Taxation Code Section 17052.18. Both are available on the Internet at www.ftb.ca.gov or through the sources listed on the back of this publication.

Do I have to be a resident of California for the entire year to claim the credit?

No. However, your credit will be based on a ratio of your California earnings to total income. *Please see the worksheet on page 21 of the California nonresident booklet (Form 540NR).*



Related Forms and Publications

Federal Publication 503, *Child and Dependent Care Expenses*: This publication explains the requirements for claiming the credit for child and dependent care expenses.

Federal Form 2441, *Child and Dependent Care Expenses*: Use this form and instructions to claim the federal and California tax credits.

You can get these federal documents from the Internal Revenue Service at www.irs.ustreas.gov/prod/forms_pubs/index.html, or from your local IRS office.

Where Do I Get More Information?

Internet

You can get information about your state income tax from our Website:

www.ftb.ca.gov

Telephone

Telephone assistance is available from 7 a.m. until 8 p.m. Monday through Friday and from 7 a.m. until 4 p.m. on Saturdays. From the first working day in January through the due date for filing a return (generally April 15), service is available from 6 a.m. until midnight Monday through Friday, and from 7 a.m. until 4 p.m. on Saturdays and holidays.

From within the U.S. (800) 852-5711
From outside the U.S. (916) 845-6500 (not toll-free)

Assistance for persons with disabilities: We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments may call, from voice phone, (800) 735-2922, or from TTY/TDD, (800) 822-6268.

Mail

You can also order these forms by writing to:

TAX FORMS REQUEST UNIT
FRANCHISE TAX BOARD
PO BOX 307
RANCHO CORDOVA CA 95741-0307